

**SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003
MARCH 2004**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

EXECUTIVE SUMMARY

The first three audit findings listed below were included in our report for the fiscal year ended June 30, 2000, issued June 27, 2002. Because none of our prior audit recommendations were implemented, we have repeated them in the current year findings and recommendations section.

The Newport County Sheriff's Office does not have a policies and procedures manual for use by employees.

There is no formal general ledger accounting system in use for the service fee and witness fee funds. Consequently, accountability for transactions is performed primarily through the use of checking accounts while control over cash is focused upon the bank reconciliation process.

An accounts receivable control account is not used to monitor the accuracy of postings made to the accounts receivable subsidiary ledger. The absence of this vital control diminishes the effectiveness of the present system and impedes efforts to monitor the accuracy of subsidiary account postings.

Financial records for the period from July 2000 through May 2001 could not be located. Consequently, it was necessary for us to reconstruct the financial activity from other available records to complete the audit.

Financial activity within the witness fee account is sporadic. At times, checks may not be issued for months. While this account is reconciled on a monthly basis, a listing of outstanding checks does not always accompany each month's bank reconciliation.

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2000

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Department of Administration
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FAX #: (401) 222-3973

March 19, 2004

Mr. Joseph K. Ford
High Sheriff of Newport County
Washington Square
Newport, RI 02840

Dear Sheriff Ford:

We have completed an audit of the Sheriff of Newport County for the fiscal year ended June 30, 2003 in accordance with Sections 35-7-3 and 35-7-4 of the Rhode Island General Laws.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Management's response to our recommendations is included in this report.

In accordance with Section 35-7-4 of the General Laws, we will review the status of the department's corrective action plan within six months from the issue date of this report.

Sincerely,

Frank J. Collaro, Jr., CFE, CGFM
Acting Chief, Bureau of Audits

FJC:pp

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

INTRODUCTION

Objectives, Scope, and Methodology

The scope of our audit was to review and test the cash transactions and operating practices followed for the fiscal year ended June 30, 2003. Our objectives were to determine whether the Newport County Sheriff's Office is operating in compliance with applicable state laws and established rules and regulations; the accounting system used is adequate and the procedures followed are efficient and effective; all cash transactions are properly accounted for within the financial accounts and records maintained; controls are in place to sufficiently safeguard and protect assets; and the financial statements for the fiscal year ended June 30, 2003 are presented fairly.

Our audit was made in accordance with the *Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and performed tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

To achieve our objectives, we reviewed relevant policies and procedures, state laws and regulations; interviewed personnel; and audit tests and analytical procedures applied to data provided.

The findings and recommendations included herein have been discussed with management, and we have considered their comments in the preparation of our report. Section 35-7-4 (c) of the Rhode Island General Laws requires the auditee to respond within 60 days to all recommendations in this report. Management's response to our recommendations is included in this report.

Background

As attaches of the courts, the Sheriffs or their deputies, attend all sessions of the supreme, superior, family, and district courts, and the workers' compensation court as requested by the chief judge. The sheriffs also attend the General Assembly when it is in session. Additionally, they execute all writs of process, both civil and criminal; summon witnesses to appear in court, transport prisoners and defendants to court and to state institutions, collect fees for services performed as officers of the court; and perform all other duties assigned to them by law.

The division of sheriffs is a program within the department of administration and is headed by an administrator and an executive high sheriff who are both appointed to ten-year terms by the director of the department of administration with the consent of the Governor. County sheriffs and their deputies are also appointed by the director of administration for a period of ten years and are subject to the supervision of the administrator.



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Mr. Joseph K. Ford
High Sheriff of Newport County
Newport, RI 02840

We have audited the accompanying financial statements of the Sheriff of Newport County as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Sheriff of Newport County. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the *Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the agency funds of the Sheriff of Newport County at June 30, 2003, and the cash receipts and disbursements for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information included in Schedules 1 and 2 of this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Frank J. Collaro, Jr.

Frank J. Collaro, Jr., CFE, CGFM
Acting Chief, Bureau of Audits
July 25, 2003

FJC:pp

SHERIFF OF NEWPORT COUNTY
 AGENCY FUNDS
 BALANCE SHEET
 June 30, 2003

| | Service Fee <u>Fund</u> | Witness Fee <u>Fund</u> | <u>Total</u> |
|-----------------------------|-------------------------------|-------------------------------|-----------------|
| <u>Assets</u> | | | |
| Cash | \$ 4,904.91 | 270.50 | 5,175.41 |
| Accounts Receivable | <u>939.10</u> | <u>-</u> | <u>939.10</u> |
| Total Assets | <u>\$ 5,844.01</u> | <u>270.50</u> | <u>6,114.51</u> |
| <u>Liabilities</u> | | | |
| Due to General Fund | \$ 4,904.91 | - | 4,904.91 |
| Advance From Superior Court | - | 270.50 | 270.50 |
| Deferred Liabilities | <u>939.10</u> | <u>-</u> | <u>939.10</u> |
| Total Liabilities | <u>\$ 5,844.01</u> | <u>270.50</u> | <u>6,114.51</u> |

See accompanying notes to financial statements.

:J-25a

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 2003

| | Service Fee <u>Fund</u> | Witness Fee <u>Fund</u> | <u>Total</u> |
|--|-------------------------------|-------------------------------|------------------------|
| <u>Cash Receipts:</u> | | | |
| Service Fees | \$ 2,819.00 | - | 2,819.00 |
| Moving Fees | 2,021.10 | - | 2,021.10 |
| Refunds | 780.84 | - | 780.84 |
| Collection Fees | 31,192.09 | - | 31,192.09 |
| Miscellaneous | 72.10 | - | 72.10 |
| Prior Year Stale Dated Checks | <u>-</u> | <u>142.20</u> | <u>142.20</u> |
| Total Cash Receipts | \$ <u>36,885.13</u> | <u>142.20</u> | <u>37,027.33</u> |
| <u>Cash Disbursements:</u> | | | |
| Transfers to General Fund | \$ 33,094.59 | - | 33,094.59 |
| Moving Expenses | 1,021.10 | - | 1,021.10 |
| Refunds | 2,684.00 | - | 2,684.00 |
| Collection Fees | 780.84 | - | 780.84 |
| Miscellaneous | 248.00 | - | 248.00 |
| Petit Jury Fees | <u>-</u> | <u>384.80</u> | <u>384.80</u> |
| Total Cash Disbursements | \$ <u>37,828.53</u> | <u>384.80</u> | <u>38,213.33</u> |
| Deficiency of Cash Receipts Over Cash Disbursements | (943.40) | (242.60) | (1,186.00) |
| Cash Balance, July 1 | <u>5,848.31</u> | <u>513.10</u> | <u>6,361.41</u> |
| Cash Balance, June 30 | \$ <u><u>4,904.91</u></u> | <u><u>270.50</u></u> | <u><u>5,175.41</u></u> |

See accompanying notes to financial statements.

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

NOTES TO FINANCIAL STATEMENTS

Note 1 - Significant Accounting Policies

Fund Accounting

The accounts of the Newport County Sheriff's Office are organized on the basis of funds, each of which is considered to be a separate accounting entity. Only the agency funds are presented in the accompanying financial statements. A description of these funds is as follows:

Agency Funds - are used to account for assets held by the sheriff as an agent for individuals, private organizations, the general fund and/or other funds. The two types of agency funds maintained are:

Service Fee Fund - is used to account for monies, received for the execution of writs, a service performed as an officer of the court, and other duties assigned by law.

Witness Fee Fund - is used to disburse fees to witnesses for daily attendance before the supreme court or the superior court, or before any other tribunal or magistrate, including attendance in giving depositions.

Basis of Accounting

The accompanying financial statements are presented on the modified accrual basis of accounting as prescribed by generally accepted accounting principles. Agency Funds are custodial in nature; accordingly, at any given point in time, total assets are equally offset by related liabilities including amounts due to the parties for whom the assets are being held.

Note 2 - Accounts Receivable

The accounts receivable balance is comprised of various fees that are due from attorneys and others. The present accounting system does not generate an accounts receivable control, which precludes allocating the changes in the account between balance sheet accounts.

Note 3 - Advance From General Fund

This account represents a liability established to provide the necessary working capital to operate the Service Fee Fund.

Note 4 - Advances From Superior Court

This balance represents the unexpended balance of monies advanced from the Superior Court to pay witness fees.

Note 5 - Deferred Liabilities

For the purpose of financial statement presentation, this account represents a contra-account to accounts receivable.

SHERIFF OF NEWPORT COUNTY
SERVICE FEE FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

| | 2002 | 2001 | Total Memorandum Only |
|---|--------------------|------------------|-----------------------------|
| <u>Cash Receipts:</u> | | | |
| Service Fee | \$ 23,017.80 | 22,586.60 | 45,604.40 |
| Moving Fee | 729.70 | - | 729.70 |
| Refunds | 2,657.08 | 2,837.40 | 5,494.48 |
| Collection Fees | 5,752.03 | 5,387.93 | 11,139.96 |
| Prior Year Checks Voided | 143.30 | 65.10 | 208.40 |
| Miscellaneous | 321.70 | 531.11 | 852.81 |
| | <u>32,621.61</u> | <u>31,408.14</u> | <u>64,029.75</u> |
| Total Cash Receipts | | | |
| <u>Cash Disbursements:</u> | | | |
| Transfers to General Fund | 21,499.00 | 22,129.80 | 43,628.80 |
| Moving Expenses | 729.70 | 490.45 | 1,220.15 |
| Refunds | 2,432.40 | 3,210.30 | 5,642.70 |
| Collection Fees | 5,752.03 | 5,387.93 | 11,139.96 |
| Miscellaneous | 220.98 | 686.91 | 907.89 |
| | <u>30,634.11</u> | <u>31,905.39</u> | <u>62,539.50</u> |
| Total Cash Disbursements | | | |
| Excess (Deficiency) of Cash Receipts Over Cash Disbursements | 1,987.50 | (497.25) | 1,490.25 |
| Cash Balance, July 1 | <u>3,860.81</u> | <u>4,358.06</u> | <u>4,358.06</u> |
| Cash Balance, June 30 | <u>\$ 5,848.31</u> | <u>3,860.81</u> | <u>9,709.12</u> |

See accompanying notes to financial statements.

:J-25S1

SHERIFF OF NEWPORT COUNTY
WITNESS FEE FUND
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 2002 AND 2001

| | <u>2002</u> | <u>2001</u> | <u>Total Memorandum Only</u> |
|---|------------------|-----------------|--------------------------------------|
| Cash Receipts: | | | |
| Advance From General Fund | \$ - | 1,500.00 | 1,500.00 |
| Prior Years Voided Checks | <u>125.30</u> | <u>32.10</u> | <u>157.40</u> |
| Total Cash Receipts | <u>125.30</u> | <u>1,532.10</u> | <u>1,657.40</u> |
| Cash Disbursements: | | | |
| Witness Fees: | | | |
| Petiti Jury | 288.00 | 1,062.70 | 1,350.70 |
| Grand Jury | <u>50.80</u> | <u>-</u> | <u>50.80</u> |
| Total Cash Disbursements | <u>338.80</u> | <u>1,062.70</u> | <u>1,401.50</u> |
| Excess (Deficiency) of Cash Receipts Over Cash Disbursements | (213.50) | 469.40 | 255.90 |
| Cash Balance, July 1 | <u>726.60</u> | <u>257.20</u> | <u>983.80</u> |
| Cash Balance, June 30 | <u>\$ 513.10</u> | <u>726.60</u> | <u>1,239.70</u> |

See accompanying notes to financial statements.

:J-25s2

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

STATUS OF PRIOR AUDIT RECOMMENDATIONS

The following audit recommendations were identified in the report prepared by the Bureau of Audits for the fiscal year ended June 30, 2000, issued June 30, 2002.

1. A standard operating policies and procedures manual should be developed, implemented, and promulgated to the entire staff.

Not implemented. (See current recommendation 1.)

2. Establish a formal accounting system that integrates a general ledger with books of original entry (e.g., cash receipts and disbursements journal) to enhance accountability.

Not implemented. (See current recommendation 2.)

3. An accounts receivable control account should be established to enhance the present system used to account for receivables and to facilitate the reconciliation of subsidiary account balances.

Not implemented. (See current recommendation 3.)

4. Perform monthly reconciliations between the subsidiary ledger accounts and the control account and resolve all differences that are discovered.

Not implemented. (See current recommendation 4.)

SHERIFF OF NEWPORT COUNTY
AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 2003

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

Policies and Procedures Manual

The Newport County Sheriff's Office does not have a policies and procedures manual as required by Section 42-8.1-17 of the Rhode Island General Laws. A policies and procedures manual would provide management and employees with a systematic approach to the implementation of policies, plans, and work routines. Further, a properly developed manual would convey management's philosophies, improve communications, improve productivity, reduce training time, and strengthen overall operations.

Before organizing and compiling information for the manual the following steps should be considered:

- Select the appropriate personnel who will have the authority and the responsibility for preparing specific sections of the manual and who will have ultimate authority over the entire manual.
- Determine the desired content of the manual.
- Outline the major sources of information for the manual.
- Determine a prescribed communication format to ensure clarity and understanding of the policy and procedure statements.
- Determine the final format and organization of the manual.

Recommendation

1. Develop a policies and procedures manual to comply with Section 42-8.1-17 of the Rhode Island General Laws.

Management's Response: Accepted

Accounting System

The Sheriff's Office does not maintain a formal accounting system for its service fee and witness fee funds. Accountability for transactions processed is performed primarily through the use of checking accounts while control over cash is focused upon the bank reconciliation process since a formal general ledger is not maintained. The establishment of a general ledger accounting system would enhance accounting and reporting requirements and permit management to make informed decisions concerning financial matters.

Recommendation

2. Establish a formal accounting system that integrates a general ledger with books of original entry (e.g., cash receipts and disbursements journal) to improve accountability.

Management's Response: Accepted

Auditor's Response: The Bureau has and will provide technical assistance, however it is management's responsibility to acquire and install the accounting software needed.

Accounts Receivable

The Sheriff's Office maintains an accounts receivable ledger but does not maintain a control account. The absence of this basic control diminishes the effectiveness of the present system, and impedes all efforts to monitor the accuracy of subsidiary account postings.

Recommendations

3. Implement the use of an accounts receivable control account to improve and facilitate the reconciliation to subsidiary account balances.
4. Perform monthly reconciliations between the subsidiary ledger accounts and the control account.

Management's Response: Accepted

Auditor's Response: The Bureau has and will provide technical assistance, however it is management's responsibility to acquire and install the accounting software needed.

Safeguarding Accounting Records

During our audit, the Sheriff's staff could not locate the financial records and journals for the period from July 2000 through May 2001. Consequently, it was necessary for us to reconstruct the financial activity from other available records to complete our audit.

Recommendation

5. Management must safeguard its financial records and journals by storing them in fireproof cabinets in a secure area of the building.

Management's Response: Accepted

Witness Fee Account

Financial activity within this account is sporadic. At times, checks may not be issued for months. While this account is reconciled on a monthly basis, a listing of outstanding checks does not always accompany each month's bank reconciliation.

Recommendation

6. A listing of outstanding checks should be filed with each month's completed bank reconciliation.

Management's Response: Accepted

State of Rhode Island and Providence Plantations
Rhode Island Sheriff's Department

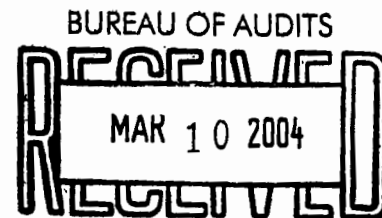
SHERIFF OF



NEWPORT COUNTY

Joseph K. Ford
Florence K. Murray Judicial Complex
Eisenhower Square, Newport, RI 02840-2996
Office: (401) 841-8300 Fax: (401) 841-8308

March 5, 2004



John Reis, Internal Audit Manager
Bureau of Audits
1 Capitol Hill
Providence, RI 02908-5889

Dear Mr. Reis:

Response to Audit Report Sheriff of Newport Agency Funds Fiscal Year ended June 30,
2003 dated February 2004

Recommendation #1: Standard operating policies and procedures manual

Response: Accepted and completed.
Each employee now has in his/her possession a copy of policy and
procedures as defined by management.

Recommendation #2, #3, #4: Establish a formal accounting system

Response: Accepted not implemented
We have requested a representative from the Bureau of Audits in the past
to set up and accounting system that integrates a general ledger system as
recommended.

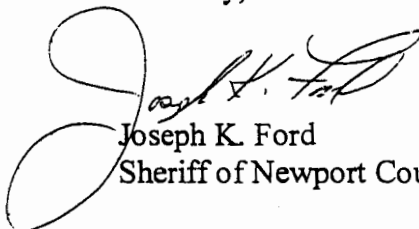
Recommendation #5: Safeguarding Accounting Records

Response: Financial records and journals are now stored in a fireproof cabinet in a secured area.

Recommendation #5: Witness Fee Account

Response: All outstanding checks are filed with each month's complete bank reconciliation.

Sincerely,



Joseph K. Ford
Sheriff of Newport County

Cc: Donald Ventetuolo
Executive High Sheriff Gary P. Dias